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SUBJECT: HONG KONG:APEC FOOD SECURITY INITIATIVES

REF: A. SEC STATE 96050
[1](#)B. HONG KONG 782
[1](#)C. HONG KONG 1999

[1](#)1. SUMMARY: The biggest food security challenge that Hong Kong faces is its dependence on food imports. Hong Kong imports nearly 95% its food requirements, which leaves it exposed to export bans, inflation, food safety threats, and the possibility of global shortages. It addresses these weaknesses with a sound public health service, strong food safety measures, food supplier diversification, and a welfare net for low income people and elderly. END SUMMARY

Hong Kong,s Challenge

[1](#)2. The biggest challenge that Hong Kong faces related to its food security is its dependence on food imports. Hong Kong imports nearly 95% its food requirements. Local production contributes only 3% of fresh vegetables, 46% of live poultry, and 18% of live pigs consumed. Currently, mainland China accounts for approximately 24% of imports and the U.S. is the second largest food supplier with 14%. Due to its central location, free tax port status, and role as a regional purchasing and distribution center, 30% of all Hong Kong imports are re-exported to other destinations.

[1](#)3. Given its reliance on food imports, a food supply disruption at its sources could put Hong Kong at risk. Hong Kong,s relative wealth helps shield it from supply issues that only affect a particular source, such as mainland China. It can either absorb the increased cost or switch or increase imports from other sources. However, in the rare event that there were to be a global systemic food supply disruption, Hong Kong,s food supply could conceivably be at significant risk.

Hong Kong Food Price Inflation

[1](#)4. In 2008, as world agricultural commodity prices and food price inflation rose rapidly due to a range of global factors, Hong Kong also experienced a sharp rise in food prices, which registered double digit increases of 10-11% during February to August 2008. But since August 2008, food prices have gradually stabilized. In June 2009, food prices rose only 0.5% from last year,s level. Given Hong Kong's dependence on imports, domestic food price inflation pressure will normally follow world food prices.

[1](#)5. Unlike mainland China which in 2008 imposed a 20% export tax to discourage exports of domestic production, the Hong Kong Special Administrative Region Government (HKSARG) has taken a hands-off stance towards rising food prices, advising consumers to consider cheaper alternatives, but refusing to intervene in the food market. The HKSARG did however increase the "fruit mone" allowance given to the elderly. While consumer are oncerned about rising food costs, and including a brief run on rice in March 2008, no demonstrations or disturbances related to food prices in either Hong Kong or Macau have occurred.

Hng Kong,s Concern for Food Safety

¶6. Hong Kon consumers, concern about the safety of food imprts from mainland China, especially after the Melaine contamination incidents boosted demand for organic, high quality, all natural foods, and gourmet foods. Tightening of food supplies from mainland China for products such as pork, eggs, and milk have lead to increased importation from other sources, including from the U.S. The HKSARG introduced a bill requesting importers and distributors to voluntarily register with the government in order to facilitate food traceability/recall in case of food safety incidents.

Hong Kong's Safety Net

¶7. The relative affluence of Hong Kong residents has allowed most consumers to absorb increases in food prices. The typical Hong Kong household spends US\$2,500/month to meet its basic living needs, of which 27% is spent on food and beverages. Low income groups, the 10% of Hong Kong households making less than US\$513/month (4000 HKD/month), face the biggest challenge. Hong Kong's Comprehensive Social Security Assistance scheme provides a safety net for the low income, designed to bring their incomes up to prescribed levels to meet basic needs. In addition, all elderly also receive an additional social security allowance (aka. "fruit money").

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